

## Castle: Banks may be reluctant to lend to automakers (The News Journal)

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Gannett News Service

WASHINGTON — Rep. Mike Castle said today he doubted struggling auto companies would be able to borrow from large financial institutions despite the financial assistance they're received from Congress.

"They don't want to get into dubious situations themselves at this point," he told executives of Detroit's Big Three automakers, here today to testify before the House Financial Services Committee.

The group has presented business plans to Congress this week, hoping for at least \$34 billion in loans to help them avoid bankruptcy.

Concerned about oversight, Castle described October's \$700-billion financial services bailout legislation as an area in which "perhaps we did not distinguish ourselves." Congress may need to be more involved in ensuring that the companies are taking steps, pursuant to receiving loans, that are working, he said.

"And I hope you would not be dismissive of that, but embracing of it in a way that we can all work together," he said. "This is taxpayers' money we are dealing with. We want to protect jobs. We want to make darn sure we protect those dollars, as well, with some repayment, as far as the future is concerned."

The same executives testified Thursday before the Senate Banking Committee, of which Sen. Tom Carper, D-Del., is a member.

Carper said he would explore whether Congress can compel banks to loan the money, with a federal guarantee, to the auto companies.

He also said he favored the approach of one witness, Mark Zandi, chief economist and co-founder of Moody's Economy.com, who suggested federal assistance should be given in stages, provided the companies meet certain benchmarks.

During the hearing, Zandi had said the cost of ensuring the automakers don't go into bankruptcy in the next couple of years would be higher than the \$34 billion the companies are requesting. The true amount, he said, would fall between \$75 billion to \$125 billion.

Of the 3 million workers who would lose jobs if the Big Three shut down, just 240,000 work at the companies themselves, according to the Center for Automotive Research.

Castle asked whether anything should be done for the others, who are suppliers, dealers and others in spin-off jobs.

"I point out that some 80 percent of these suppliers have overlaps," he said. "That is, they deal with more than one of you, which means that if one of them fails because one of you fails, it could affect everybody else."

The executives responded that having strong original equipment manufacturers would help others in the chain.

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